



**BAC 7710-FW-P**

## **POSTAL REGULATORY COMMISSION**

### **39 CFR part 3050**

**[Docket No. RM2019-10; Order No. 5153]**

#### **Periodic Reporting**

**AGENCY:** Postal Regulatory Commission.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Commission is acknowledging a recent filing requesting the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports (Proposal Five). This document informs the public of the filing, invites public comment, and takes other administrative steps.

**DATES:** *Comments are due:* August 26, 2019.

**ADDRESSES:** Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER**

**INFORMATION CONTACT** section by telephone for advice on filing alternatives.

**FOR FURTHER INFORMATION CONTACT:** David A. Trissell, General Counsel, at 202-789-6820.

#### **SUPPLEMENTARY INFORMATION:**

**Table of Contents**

- I. Introduction
- II. Proposal Five
- III. Notice and Comment
- IV. Ordering Paragraphs

## **I. Introduction**

On July 12, 2019, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to the Postal Service's periodic reports.<sup>1</sup> The Petition identifies the proposed analytical changes filed in this docket as Proposal Five.

## **II. Proposal Five**

*Background.* Proposal Five relates to the methodology used to calculate indemnity costs for both Domestic and International Indemnities. Petition, Proposal Five at 1-2.

The Postal Service previously submitted a proposal to change the treatment of International Indemnities in response to the Commission's FY 2017 Annual Compliance Determination (ACD).<sup>2</sup> In the FY 2018 ACD, the Commission found that, despite the change in the treatment of International Indemnities, Outbound International Insurance costs exceeded revenue during

---

<sup>1</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Five), July 12, 2019 (Petition). The Postal Service also filed a notice of filing non-public material relating to Proposal Five. Notice of Filing of USPS-RM2019-10/NP1 and Application for Nonpublic Treatment, July 12, 2019.

<sup>2</sup> *Id.*; see Docket No. RM2018-9, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), June 26, 2018; Docket No. RM2018-9, Order on Analytical Principles Used in Periodic Reporting (Proposal Six), August 28, 2018 (Order No. 4798).

FY 2018.<sup>3</sup> The Commission noted that “[w]hen additional insurance is purchased for a mailpiece, all of the associated indemnity is assigned to the Outbound International Insurance product, rather than the amount of the indemnity greater than the value of the built-in insurance.” FY 2018 ACD at 108. The Commission also found that “the data the Postal Service provided concerning Outbound International Insurance raises concerns about the accuracy of the revenue data, as discrepancies exist between published rates and reported revenue per piece.” *Id.* Accordingly, the Commission directed the Postal Service to investigate the discrepancies between “published rates and reported revenue per piece[]” and file a report within 120 days of issuance of the ACD “on the results of this investigation and on the feasibility of disaggregating indemnities between insurance included in the product and additional insurance purchased for the mailpiece.” *Id.*

In response, the Postal Service indicates that it has “investigated the feasibility of disaggregating indemnities between insurance included in the product and additional insurance purchased for the mailpiece, and has developed the methodology presented in this proposal” for both Domestic and International Indemnities. Petition, Proposal Five at 2.

*Proposal.* The Postal Service’s proposal seeks to revise the methodology used to calculate costs for both Domestic and International Indemnities “to more accurately account for indemnity coverage that is included in the base price of a

---

<sup>3</sup> Docket No. ACD2018, Annual Compliance Determination, April 12, 2019, at 108 (FY 2018 ACD).

product, versus indemnity coverage that is purchased in addition to the base price.” *Id.* at 1. The proposal would modify the decision rule that currently “ignores the insurance included with the product when the indemnity exceeds the predetermined amount (\$50, \$100, or \$200, depending on the product).” *Id.* at 2. Under the existing methodology, “any additional insurance purchased beyond that included with the product was responsible for the incurrence of the entire insurance indemnity.” *Id.* The proposal would revise the costing of indemnities by attributing the portion of an indemnity up to the predetermined base amount to the product. *Id.*

*Rationale and impact.* As a result of its investigation of the available data, the Postal Service states that “it is possible to distinguish between the product portion of the indemnity and the insurance portion of the indemnity for indemnities over the included amount.” *Id.* The Postal Service concludes that Proposal Five will “more properly align indemnity costs with the parent product and the insurance service.” *Id.* at 3.

The Postal Service states that Proposal Five would change Indemnity costs in Cost Segment 20 of the Cost and Revenue Analysis and the International Cost and Revenue Analysis. *Id.* The Postal Service reports that the domestic impact on every mail class would be less than 1 percent and the “biggest impact is to shift 26 percent of Indemnities costs from Insurance to the other products and mail classes.” *Id.* The Postal Service states that only two domestic competitive product-types (Priority Mail Express and Priority Mail) would have received “additional indemnity costs in FY 2018” under Proposal

Five. *Id.* at 3-4. The Postal Service states that the “most extreme possible impacts of the proposal would be immaterial changes affecting either the non-[negotiated service agreement] NSA portion or the NSA portion of these product types.” *Id.* at 4.

The Postal Service reports that the international impact of Proposal Five “shifts costs from Outbound Insurance to Priority Mail International, Global Express Guaranteed and Priority Mail Express International.” *Id.* at 5. The Postal Service claims that “Outbound insurance would have had positive contribution in FY 2018” under Proposal Five and that “contribution from each of the three affected international mail categories would have remained positive.” *Id.*

### **III. Notice and Comment**

The Commission establishes Docket No. RM2019-10 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission’s Web site at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Five no later than August 26, 2019. Pursuant to 39 U.S.C. 505, the Commission designates Natalie R. Ward as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

### **IV. Ordering Paragraphs**

*It is ordered:*

1. The Commission establishes Docket No. RM2019-10 for consideration of the matters raised by the Petition of the United States Postal Service for the

Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Five), filed July 12, 2019.

2. Comments by interested persons in this proceeding are due no later than August 26, 2019.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Natalie R. Ward to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

**Ruth Ann Abrams,**

*Acting Secretary.*

[FR Doc. 2019-15333 Filed: 7/18/2019 8:45 am; Publication Date: 7/19/2019]